

**STANDING COMMITTEE ON PROGRAMMES AND FINANCE**

**Twenty-seventh Session**

**REPORT OF THE CHAIRPERSON OF**

**THE WORKING GROUP ON BUDGET REFORM:**

**PROPOSALS TO UPDATE BUDGET REGULATIONS AND PRACTICES – DRAFT RESOLUTION**



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**Background**

1. At its meetings on 6 July and 28 September 2020, the Working Group on Budget Reform examined the Administration's proposal outlined in document WG/BR/2020/3, which seeks flexibility in the management of internal resources in order to provide timely responses to meet urgent needs. Following the consensus that emerged from the discussions, the Administration proposes amendments to Standing Committee on Programmes and Finance Resolution No. 18 of 27 June 2018 on budget regulations and practices.

2. The proposed amendments to Resolution No.18 are: (a) to consolidate the separate mechanism for Operational Support Income (OSI) relating to staff security into the larger OSI projection and reserve mechanism; (b) to modify the current resolution on the allocation to the IOM Development Fund (IDF), with a yearly budget allocation of USD 15 million (USD 1.4 million to Line 1 and USD 13.6 million to Line 2); (c) to authorize the Director General to draw down up to USD 15.0 million of the utilizable balance of the OSI reserve; and (d) to consolidate the Emergency Preparedness Account into the Migration Emergency Funding Mechanism.

3. In endorsing the proposed amendments, the Working Group stressed the importance of Member State oversight of drawdowns from the OSI reserve. The Working Group agreed that the amendments should be submitted to the Standing Committee on Programmes and Finance for its endorsement and subsequent recommendation to the Council.

**Conclusion and next steps**

4. The Standing Committee on Programmes and Finance is requested to consider and endorse the abovementioned amendments to Resolution No. 18. The annex to this document contains Resolution No. 18 with the proposed changes – which reflect the outcomes of the discussions of the Working Group at its meeting held on 28 September 2020 – highlighted in grey.

5. Should the Standing Committee decide to endorse the proposed amendments, the revised resolution will be submitted to the Council for adoption. On adoption, the revised resolution would supersede Standing Committee on Programmes and Finance Resolution No. 18.



## Annex

## RESOLUTION No. 18

(Adopted on 27 June 2018 by the Standing Committee on Programmes and Finance at its Twenty-second Session)

## BUDGET REGULATIONS AND PRACTICES

*The Standing Committee on Programmes and Finance Council,*

*Acknowledging* the IOM Financial Regulations, adopted by the Council at its First Session, in accordance with Resolution No. 84 of 2 December 1954, and last amended by the Council at its Ninety-sixth Session, through Resolution No. 1177 of 5 December 2008,

— *Recalling* Council Resolution No. 413 of 17 November 1967 on the transfer of the working capital for the European Programme of Refugee Movements to the contingency reserve,

— *Recalling also* Executive Committee Resolution No. 134 of 3 July 2012 on budget processes and mechanisms,

*Reaffirming* operative paragraph 1 sections I and II (b) of Council Standing Committee on Programmes and Finance Resolution No. 1265 18 of 26 November 2013 of 27 June 2018, on the definition and funding of the core structure,

*Recalling* Council Resolution No. 1360 of 1 December 2017 1384 of 29 November 2019, in which the Council invited the Standing Committee on Programmes and Finance to take, on behalf of the Council, such action as it might deem necessary in connection with any proposals made by the Working Group on Budget Reform that were ready for consideration,

— *Noting* the discussions of the Working Group on Budget Reform and the document entitled Revised proposals to update the regulations: Operational Support Income reserve and contingency reserve (WG/BR/2018/1) of 20 February 2018, which set out proposals concerning the Operational Support Income projection and reserve mechanism,

— *Recalling* the recommendation of the Working Group on Budget Reform made at its meeting held on 27 February 2018 to approve the changes to the Operational Support Income projection and reserve mechanism contained in Annex I of document WG/BR/2018/1 of 20 February 2018,

— *Taking note* of the Report of the Chairperson of the Working Group on Budget Reform (S/22/6 of 9 April 2018),

*Also taking note* of the document entitled Update of budget regulations (S/22/4/Rev.1) of 21 June 2018, outlining the necessary adjustments to budget regulations and practices,

*Having considered* the justifications outlined by the Administration in the budget reform discussions with the view to increasing funding to strengthen the core structure,

Conscious of the need to offer some degree of flexibility to the Director General in managing Operational Support Income to better govern the Organization and facilitate prompt responses to migration challenges,

Acknowledging the need to streamline administrative procedures relating to budget processes,

Recalling Council Resolution No. 1076 of 4 December 2002, in which it was decided that the participation of IOM in the security system of the United Nations Department of Safety and Security would be covered by project-related overhead income,

Recalling also its Standing Committee on Programmes and Finance Resolution No. 18, which outlines the funding arrangements for the IOM Development Fund,

Taking note of the document entitled Proposals to update budget regulations and practices (WG/BR/2020/3) of 26 June 2020, outlining the relevant adjustments to budget regulations and practices,

Reaffirming the principle of universal participation in the financing of the operational programmes and appealing to Member States and other interested States to provide voluntary contributions to enable the Director General to carry out in full all the operational programmes,

Conscious of the separation between the Administrative and Operational Parts of the Budget,

Adopts the following budget regulations, which supersede the provisions set out in ~~Executive Committee Resolution No. 134 of 3 July 2012~~ Standing Committee on Programmes and Finance Resolution No. 18 of 27 June 2018 on budget regulations processes and practices mechanisms:

## **I. Core structure**

1. The core structure of IOM is defined as the minimum structure necessary for the Organization to deliver its services. The core structure comprises functions needed to exercise basic management responsibilities, including policy formulation, financial and budgetary control, activity planning and development, and liaison with governments and multilateral partners.

- (a) At Headquarters, this includes the costs of all staff who serve as advisers and/or who plan, organize, supervise and monitor the overall activity of the Organization, within regional and functional contexts, and whose work is not tied to the implementation of a single identifiable programme or project. This includes, inter alia, the Offices of the Director General and Deputy Director General; the Office of the Chief of Staff; the Office of Legal Affairs; the Senior Regional Advisers; human and financial resources management, including budget preparation and oversight; Directors of the Headquarters departments; IT infrastructure and maintenance; public relations and communications; donor relations; the Meetings Secretariat and the Translation Units; the Office of the Inspector General, including audit, investigation, and monitoring and evaluation; staff security; liaison with other international organizations; policy and strategic planning; migration research and publications; and international migration law.
- (b) In the field, this includes the costs of the regional offices, administrative centres, special liaison offices, country offices with coordinating functions and country offices with resource mobilization functions when the activities of these offices are of a regional or organization-wide nature, and when they are not tied to the implementation of a single identifiable programme or project, and involve: significant liaison duties; management of relations with other multilateral bodies; planning, organizing or implementing the activities of the Organization at the global, regional or subregional level or in a functional capacity; overseeing and supporting the

operations of the Organization in the areas of project development, endorsement and implementation; procurement services; control of project expenditures; receipt and disbursement of funds; negotiation of agreements; provision of recruitment and human resources services; financial reporting; support for external/internal audits; and the provision of global administrative support.

## **II. Funding the core structure**

### ***Administrative Part of the Budget***

2. The Administrative Part of the Budget, which is funded from the assessed contributions paid by Member States, should be used to cover administrative costs which do not increase with the volume of activities of the Organization and cannot be attributed to individual activities.

### ***Operational Part of the Budget***

3. Core structure costs not covered under paragraph 2 shall be covered by the Operational Support Income generated under the Operational Part of the Budget.

4. The attribution of positions shall be maintained under regular review by the Director General and the governing bodies in the light of evolving circumstances and activities, and, towards that end, the Administration shall inform the governing bodies of these circumstances and of any consequent need for changes in the attribution of positions.

5. The attribution of positions to the Administrative Part of the Budget and Operational Support Income shall require prior approval by the governing bodies when deciding on the Administrative Part of the Budget or revisions thereto.

## **III. Operational Support Income**

6. As established by Council Resolution No. 1265 of 26 November 2013, the base rate of project-related overhead income is 7 per cent on total costs for all new projects.

7. The rate of project-related overhead income is 12 per cent on staff and office costs for existing resettlement and return programmes where international transportation costs make up a significant portion of the total cost of the activity.

8. A lower rate of overhead may be applied to bilateral funds from developing Member States requesting technical assistance from IOM for the implementation of national development projects and on “pass-through” funds where IOM involvement is limited to merely transferring funds to another entity.

9. The Operational Part of the Budget, including the income generated from project-related overhead, should cover, in principle, any costs of the Organization.

10. The Director General will make appropriate allocations in the yearly budget ~~maintain a mechanism to transparently monitor income generated from 1 per cent out of the total 7 per cent on programmes referred to under paragraph 6, and 2.5 per cent out of the 12 per cent overhead on programmes referred to under paragraph 7 and a similarly prorated portion of the overhead referred to in paragraph 8, for~~ payment of the cost of IOM participation in the United Nations Department of Safety and Security and, within the limits of available resources, the cost of compliance with the minimum operating security standards, evacuations and other staff security costs.

11. The use of Operational Support Income will be included in the Programme and Budget of the Organization or revisions thereto accompanied by such information and explanatory statements as may be specifically requested by the Council for its decision; and expenditures relating to the use of that income will be reported in the annual financial report.

12. The Director General is requested to regularly review the appropriateness of the project-related overhead income and expenditure and to report to Member States on the need for any changes.

#### **IV. IOM Development Fund**

13. The Director General is requested to allocate USD 1.4 million from Operational Support Income for the development of migration projects in favour of developing Member States and Member States in transition, on the basis of an equitable regional distribution, without prejudice to funds already allocated for these purposes, referred to as funding Line 1.

14. ~~Twenty-five per cent of the Operational Support Income (excluding security) in excess of USD 20 million will be~~ The Director General is further requested to allocated USD 13.6 million from Operational Support Income to the IOM Development Fund, referred to as funding Line 2.

15. The total amount available for the IOM Development Fund for both Line 1 and Line 2 (excluding direct voluntary contributions) is USD 15.0 million. ~~cannot exceed total miscellaneous income (unearmarked contributions and interest income).~~

16. Member States should consider direct voluntary contributions to the IOM Development Fund as well as increased fundraising initiatives.

17. The following criteria will apply to the IOM Development Fund:

- (a) Access to funding under Line 2 will be linked to outstanding contributions, and Member States subject to Article 4 of the Constitution will not be eligible for funding;
- (b) The ceiling for funding of national projects will be USD ~~200,000~~ 300,000 under Line 2;
- (c) The ceiling for funding of regional projects will be USD ~~300,000~~ 400,000 under Line 2;
- (d) A follow-up project to a previously funded project under Line 1 will be admissible under Line 2;
- (e) Distinct tracking and accounting of the two funding lines will be established.

#### **V. Systemic solution for the use of surplus in the Administrative Part of the Budget**

18. Any surplus in the Administrative Part of the Budget will be disposed of as follows:

- (a) When the surplus for any budget year is above 1 per cent of the approved Administrative Part of the Budget for that year, the amount above 1 per cent shall be returned to Member States through a proportional reduction of the assessed contributions paid by Member States, to be credited in the second year following that in which the surplus occurred, while the amount equal to 1 per cent will be disposed of as per paragraph 18(b).
- (b) Where the surplus for any budget year is equal to or less than 1 per cent of the approved Administrative Part of the Budget for that year, it should be assigned as a supplement to the Administrative Part of the Budget for the second year following that in which the surplus occurred, such surplus being used to cover only non-recurrent expenditure items which would



normally be charged to the Administrative Part of the Budget, and be included, as an identifiable item, in the annual budget proposals submitted to the Council.

- (c) Where a State was a Member State during the budget year in which a surplus was determined to have occurred, but has ceased to be a Member State for the year in which it would have received a proportional reduction of its assessed contribution in accordance with paragraph 18(a), it will receive a reimbursement of an amount equal to the proportional reduction of its assessed contribution, provided that at the time it ceased to be a Member State it had no outstanding assessed contributions.
- (d) The Standing Committee on Programmes and Finance will review the functioning of actions laid out in paragraphs 18(a) and (b) after either or both have been applied to three surpluses and shall recommend to the session of the Council which follows the third occurring surplus whatever improvements, including amendments to the Financial Regulations, may be needed.
- (e) It is recommended that Member States that benefit from a reduction in their assessed contribution resulting from the application of paragraph 18(c), strongly consider making a voluntary contribution to the IOM Development Fund, in an equivalent amount, it being understood that any such voluntary contribution will constitute an increase in funds already approved for the Fund in the year in which this applies.

## **VI. Operational Support Income projection and reserve mechanism**

19. The Operational Support Income budget level will use as a baseline/starting point the previous year's actual results as derived from the Organization's financial report and budget documents. Current and expected trends, including significant new projects or changes to existing projects, will be considered in projecting the budgeted level.

20. If the actual Operational Support Income generated at the end of the budget year is greater than the projection established, the difference will be applied as follows:

- (a) The additional Operational Support Income will be applied towards ~~Line 2 of the IOM Development Fund, staff security and~~ unforeseen shortfalls;<sup>1</sup>
- (b) Any balance remaining thereafter will be transferred to the Operational Support Income reserve.

21. The following clarifications are intended to operationalize the implementation of the reserve mechanism:

- (a) The implementation of the Operational Support Income projection and reserve mechanism will be in conformity with the IOM Financial Regulations and the present resolution.
- (b) ~~The reserve will be credited with any surplus Operational Support Income available after covering any unforeseen shortfalls during the year. Funding for the staff security mechanism and the IOM Development Fund will continue to be in line with paragraph 10 and paragraphs 13 to 17 above, and there will not be any negative impact on the funding for these two items.~~

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<sup>1</sup> Unforeseen shortfalls include: (a) project deficits and frauds beyond the control of the Administration; (b) bridging funds for staff and office costs; and (c) unforeseen one-time, non-recurrent capital expenditure and other miscellaneous items that need to be covered.

- ~~(c) The reserve will be credited with any surplus Operational Support Income available after: (i) applying the above mentioned rules for the IOM Development Fund and the staff security mechanism; as well as (ii) covering any unforeseen shortfalls during the year.~~
- (d) As and when necessary, amounts available in the reserve will be applied to bridge the difference between the projected amount of Operational Support Income and the actual amount generated, if the latter is lower than the projected amount.
- (e) If the overall financial management of the Organization is hampered as a result of implementing the reserve mechanism, the Administration will bring this to the attention of Member States.
- (f) Conscious that there may be years when the actual Operational Support Income in a given year and the funds in the reserve are not enough to cover the projected amount, the Administration will bring to the attention of Member States any potential shortfall, with a view to finding solutions in order to achieve a balanced budget.
- (g) The Operational Support Income reserve will be maintained at 1 per cent of the Organization's total expenditures as reported for the prior year as at 31 December. The Administration will put forward proposals to the Member States in the annual budget or its revisions for the utilization of funds from the reserve that exceed the figure established by these criteria.
- (h) The Director General is authorized to draw down up to a maximum of USD 15 million of the utilizable amount of the Operational Support Income reserve for urgent needs and will report on its use in the annual financial report.
- (i) The Administration will put forward proposals to the Member States in the annual budget or its revisions for the utilization of funds from the reserve that exceed USD 15 million of the utilizable amount.
- ~~(h)~~ (h) Proposals for the use of the excess reserve balance will be strategic in nature, support the Organization's long-term objectives and be used to cover non-recurrent expenditure items.
- ~~(i)~~ (i) The functioning of the Operational Support Income projection and reserve mechanism will, in principle, be reviewed every three years by the Standing Committee on Programmes and Finance in order to make adjustments, if necessary.
- ~~(j)~~ (j) As with other reserves and accounts of the Organization, the External Auditor will review and report on the Operational Support Income reserve in the context of the audit of the financial statements of the Organization.

~~22. As the purposes of the Operational Support Income reserve and the contingency reserve overlap, and given that there is no reason for them to remain separate, the contingency reserve will be closed and the balance transferred to the Operational Support Income reserve.~~

## **VII. Addition of contributions from new Member States to the Administrative Part of the Budget**

23. The contributions of Member States that join IOM shall constitute an increase in the level of the Administrative Part of the Budget as well as the approved expenditure appropriations for that year.

24. The Director General shall be authorized to incur obligations against such increased appropriation.

25. The contributions of Member States that joined the Organization before a new Member State referred to in paragraph 23 will remain the same for that budget year and all subsequent budget years, except:

- (a) Minor rounding differences due to the nature of the assessment scale calculation, being to only four decimal places;
- (b) When affected by changes to the United Nations scale of assessments or other increases in the Administrative Part of the Budget approved by the Council.

26. Any surplus in the Administrative Part of the Budget shall continue to be guided by the provisions of paragraph 18 above.

**VIII. Consolidation of other funding mechanisms managed by the Organization**

27. In line with recommendations made by the Office of the Inspector General, the Emergency Preparedness Account will be closed and the balance transferred to the Migration Emergency Funding Mechanism.

28. A separate proposal will be put to Member States in other forums to discuss the modalities of diversifying and sustaining the Funding Mechanism and improving its management framework.

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